

# House Price Sentiment Index

## Expectations for house price growth reach post-referendum high

January 2017

### Key findings:

- Households across the UK perceive that the value of their home rose over the last month
- The perceived rate of house price growth slowed month-on-month
- Respondents in 10 of the 11 regions covered by the index believe the value of their home increased
- The future HPSI rose in January, compared with December, with households in all regions expecting the value of their home to increase over the next 12 months

### Change in current house prices

Households across the UK perceive that the value of their home has risen over the last month, according to the latest House Price Sentiment Index (HPSI) from Knight Frank and IHS Markit.

January's reading was the sixth consecutive month that the index has been in positive territory following the post-referendum low in July.

Some 17% of the 1,500 households surveyed across the UK said that the value of their home had risen over the last month, while 5.3% said that prices had fallen. This resulted in a HPSI reading of 55.8.

**Any figure over 50 indicates that prices are rising, and the higher the figure, the stronger the increase. Any figure below 50 indicates that prices are falling.**

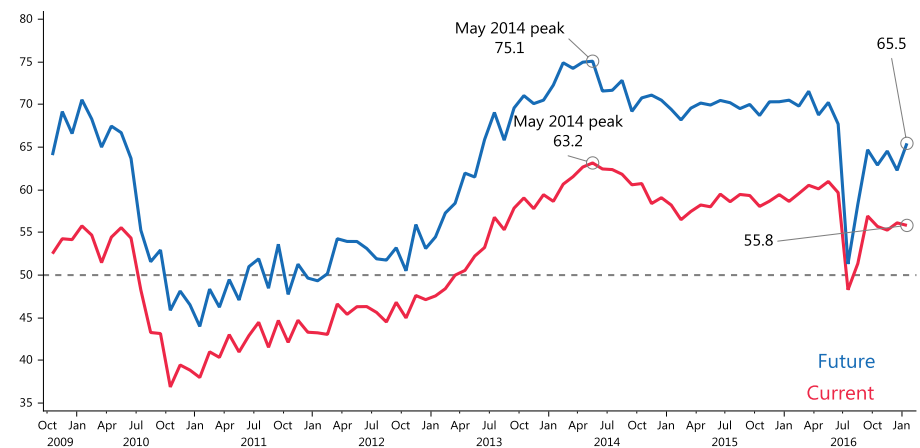
January's reading was a slight fall compared with the 56.1 recorded in December, although it remains notably above its post-referendum low of 48.3 in July.

Household sentiment appears to have settled since the vote, with an average index reading on a slightly longer three-month rolling basis of 55.8.

However, there remain fairly large regional variations. Households in 10 of the 11 of the regions covered by the index perceived that the value of their

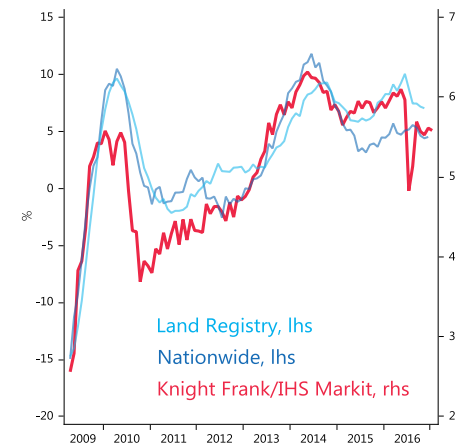
### Change in current and future HPSI

A score of 50 equates to no change with any reading above 50 indicating rising prices, and any reading under 50 indicating falling prices. The higher the figure, the stronger the increase



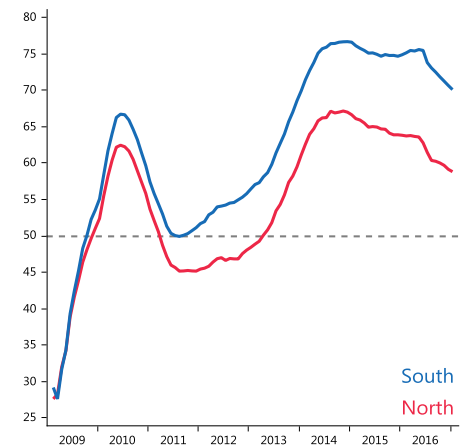
### Current HPSI Vs annual house price growth

Latest available data



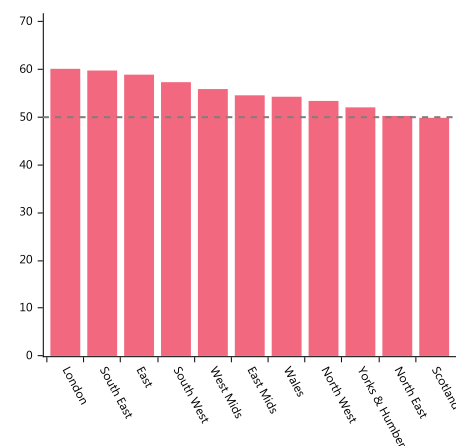
### Regional variations in future HPSI

12 month moving average (50=no change)



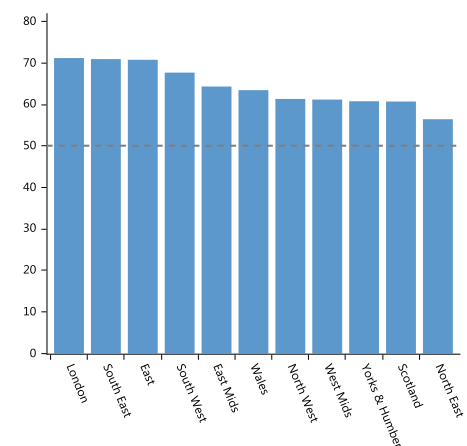
### Current HPSI, regional

January 2017 (50=no change)



### Future HPSI, regional

January 2017 (50=no change)



## RESIDENTIAL RESEARCH

property rose in January.

Households in London (60.1) and the South East (59.8) reported the biggest rise over the course of the month. They were followed by those in the East of England (58.9) and the South West (57.3).

Households in Scotland reported a slight fall in prices over the course of the month (49.9).

The full regional breakdown is shown in the tables on page 3.

### A lead indicator

**Since the inception of the HPSI, the index has been a clear lead indicator for house price trends, moving ahead of mainstream house price indices. This confirms the advantage of an opinion-based survey which provides a current view on household sentiment, rather than historic evidence from transactions or mortgage market evidence.**

### Outlook for house prices

The future HPSI, which measures what households think will happen to the value of their property over the next year, rose in January to 65.5, up from 62.3 in December.

This was the highest reading achieved by the index since before the UK's referendum on EU membership, although it remains firmly below its peak of 75.1 achieved in May 2014.

Whilst the headline index rose month-on-month, there remain quite large regional variations in terms of household expectations, with Londoners (71.2) the most confident that prices will continue to rise followed by those in the South East (71.0), mirroring the current HPSI.

[Knight Frank forecasts](#) for the UK property market can be viewed on the Knight Frank website.

Households in the North East are expecting the smallest gains (56.5), as shown in the tables on page 3.

Meanwhile, mortgage borrowers (71.1) were the most confident that prices would rise, followed by those who own their home outright (65.7).

Gráinne Gilmore, head of UK residential research at Knight Frank, said: "The continued rise in the future sentiment index indicates that households are not focusing solely on the uncertainty around the path to Brexit.

"The economic fundamentals in the UK are relatively strong, with the country expecting to have experienced the strongest growth in GDP of any country in the G7 for 2016. The IMF has also revised up its forecasts for economic growth in 2017.

"At the same time, for those who have access to a deposit, mortgage rates are near record-lows. The lack of supply of new and second-hand housing stock for sale is also underpinning pricing, which is causing affordability issues in some areas. The Government is determined to try and boost the delivery of new-build homes, and will publish details of its plans in a Housing White Paper shortly."

Tim Moore, senior economist at IHS Markit, said: "January's survey reveals a strong start to the year for UK house price sentiment, with expectations now the most positive since the EU referendum last summer. Exactly 40% of households anticipate a rise in their property value over the course of 2017, while just 9% forecast a reduction.

"The recovery in housing market confidence has been helped by sustained growth across the UK economy during recent months, and resilient labour market conditions in particular.

"Regional divergences showed little sign of narrowing in January, with people living in London and the South East by far the most likely to anticipate rising property values.

"However, UK house price sentiment remains softer than seen during the three years leading up to the EU referendum. January's survey also highlights that price expectations in all regions have moderated in comparison to those seen at the start of 2016."

#### KNIGHT FRANK

Gráinne Gilmore  
Head of UK Residential Research  
+44 20 7861 5102  
grainne.gilmore@knightfrank.com

Jamie Obertelli  
PR Manager  
+44 20 7861 1104  
jamie.obertelli@knightfrank.com

Oliver Knight  
Associate, Residential Research  
+44 20 7861 5134  
oliver.knight@knightfrank.com

#### IHS MARKIT

Tim Moore  
Senior Economist  
+44 14 9146 1067  
tim.moore@ihsmarkit.com

Joanna Vickers  
Corporate Communications  
+44 20 7260 2234  
joanna.vickers@ihsmarkit.com



## HOUSE PRICE SENTIMENT INDEX

### Regional change in House Price Sentiment (current and future)

January 2017

**Current:** Compared to one month ago, how do you think the value of the property/dwelling in which you live has changed?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
<b>Jan-16</b>	52.3	62.8	68.1	53.3	51.3	54.8	64.3	57.2	53.8	60.7	54.0
<b>Feb-16</b>	60.9	62.3	68.1	53.0	55.5	51.7	61.9	60.9	58.6	56.5	57.5
<b>Mar-16</b>	56.4	66.3	71.7	56.4	54.0	53.3	67.4	59.8	54.2	55.1	57.1
<b>Apr-16</b>	58.8	62.4	70.0	52.7	56.0	50.1	65.6	60.7	53.7	59.2	58.0
<b>May-16</b>	58.6	64.6	70.8	52.5	56.3	56.9	66.9	59.4	60.5	53.4	58.5
<b>Jun-16</b>	55.3	62.7	69.6	48.5	56.5	54.6	66.3	57.7	57.0	60.1	51.6
<b>Jul-16</b>	44.5	50.2	49.5	45.0	46.8	49.3	50.2	49.8	43.3	49.8	46.7
<b>Aug-16</b>	49.0	58.5	53.1	44.3	50.8	45.6	54.5	55.0	48.4	50.2	47.3
<b>Sep-16</b>	58.1	59.9	63.0	54.2	52.9	51.8	60.4	57.7	53.2	55.7	52.2
<b>Oct-16</b>	54.5	58.1	60.9	51.4	51.9	50.0	59.4	57.9	51.2	56.3	53.0
<b>Nov-16</b>	53.6	59.4	60.0	49.3	50.0	50.0	61.9	56.4	51.9	55.7	49.9
<b>Dec-16</b>	52.4	61.9	60.8	53.9	50.2	51.7	58.5	58.9	53.8	53.7	56.5
<b>Jan-17</b>	54.6	58.9	60.1	50.2	53.4	49.9	59.8	57.3	54.3	55.9	52.0

**Future:** How do you think the value of the property/dwelling in which you live will have changed 12 months from now?

	East Mids	East	London	North East	North West	Scotland	South East	South West	Wales	West Mids	Yorks & Humber
<b>Jan-16</b>	65.4	81.1	79.1	61.9	62.3	61.8	76.1	71.6	64.5	71.3	66.4
<b>Feb-16</b>	67.4	72.8	77.8	60.6	64.1	62.0	78.7	74.1	62.5	67.3	64.4
<b>Mar-16</b>	71.5	80.3	78.9	61.4	63.6	61.4	81.0	71.6	62.2	66.4	72.1
<b>Apr-16</b>	66.6	68.4	77.2	57.6	62.8	57.2	79.3	71.7	59.6	67.9	69.4
<b>May-16</b>	66.3	77.9	78.2	61.8	61.5	62.3	79.5	74.8	67.6	63.3	66.0
<b>Jun-16</b>	63.3	71.0	78.2	50.4	62.4	60.8	76.0	72.8	66.9	67.1	56.8
<b>Jul-16</b>	46.4	53.2	56.3	48.9	47.1	51.9	54.5	51.7	48.2	52.4	46.9
<b>Aug-16</b>	55.7	68.3	61.5	54.5	52.7	52.2	63.0	64.7	56.9	55.7	49.9
<b>Sep-16</b>	66.3	64.6	71.0	61.5	62.4	57.9	75.2	65.8	56.3	58.3	58.7
<b>Oct-16</b>	65.6	61.5	68.6	58.3	55.3	57.0	69.3	70.8	54.5	65.3	55.7
<b>Nov-16</b>	63.7	69.9	69.5	57.0	59.7	57.0	69.3	67.8	58.4	67.9	58.7
<b>Dec-16</b>	58.5	66.1	69.0	57.0	56.5	54.1	68.6	63.4	55.3	61.4	63.0
<b>Jan-17</b>	64.3	70.8	71.2	56.5	61.3	60.7	71.0	67.7	63.5	61.2	60.8

# HOUSE PRICE SENTIMENT INDEX

## Notes to editors

### *About the HPSI*

The Knight Frank/Markit House Price Sentiment Index (HPSI) survey was first conducted in February 2009 and is compiled each month by IHS Markit.

The survey is based on monthly responses from approximately 1,500 individuals in Great Britain, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Prior to September 2010, the Household Finance Index was jointly compiled by YouGov and IHS Markit based on monthly responses from over 2,000 UK households, with data collected online by YouGovplc from its representative panel of respondents aged 18 and above. The panel was structured according to income, region and age to ensure the survey results accurately reflected the true composition of the UK population. Results were also weighted to further improve representativeness.

### *Index numbers*

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

### *IpsosMORI technical details (January survey)*

IpsosMORI interviewed 1,500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 11<sup>th</sup> and 15<sup>th</sup> January. A representative sample of adults was interviewed with quota controls set by gender, age and region and the resultant survey data weighted to the known GB profile of this audience by gender, age, region and household income. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

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